

RADLEY/HALLIGAN

TAX REFORM PLAN

TAX RELIEF

Millions/Year

Property Tax Reform and Relief

\$87

Residential property tax relief
-Deduction of the first \$15000 of improv.
in mkt value of owner-occupied res. prop. \$50

Personal property tax relief
-Reduce rate from 9% to 6% of mkt. value \$24
-Eliminate tax on furniture and fixtures \$13
Total property tax relief: \$87

Income Tax Reform

\$19

State tax a percentage of federal tax
-Elimination of income tax for families
with income less than \$13000

Sales Tax Rebates for Low-Income Individuals

\$32

Total for tax relief and reform: (\$138)

EXPENDITURES

New Revenues for State Programs

\$105

Equalization of K-12 funding \$45.5

Non-education general fund revenues \$34.0
-Human services, libraries, etc.

Higher education \$25.5
Revenues for State Programs: \$105.0

Revenues for Local Government Programs or Additional Property Tax Relief

\$22

Total new expenditures: (\$127)

Offset to current revenue shortfall

(\$75)

Total all expenditures: (\$340)

REVENUES

Total Revenue from 4% Sales Tax

\$350

Cost of Administration of Tax

\$5

Vendor Allowances

\$5

Revenue less administrative costs: \$340

STATE DOCUMENTS COLLECTION

NOV 8 1992

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HELENA, MONTANA 59601

"A BUDGET REFORM MESSAGE"
Comments by Gubernatorial Candidate Dorothy Bradley
in connection with the filing of the
BRADLEY-HALLIGAN ticket
Helena, Montana -- March 18, 1992

Last August I announced my candidacy for governor. I said then that the political bickering must stop; that we must fashion realistic solutions to our state's problems; that we must work together in addressing these problems. More importantly, that we must be honest with each other -- no more politics as usual.

I also said that I would spend time to listen to Montana, to find out what problems you see, to identify your proposed solutions to our problems.

It has been nearly one year since I decided to run for governor. I have traveled to every corner of our state. I have spoken to thousands of people.

Last month I announced Mike Halligan to be my running mate. Mike and I have been working on our proposals, but mostly we have been working on our shared views of what problems our state faces.

Here's what we agree upon. Montana's senior citizens are in danger of losing their homes because of high property taxes. We've had major businesses leave the state due to our property tax structure. We're in danger of losing one congressional seat to Seattle because so many of our young people have had to leave the state to find jobs.

Our educational system is now in court for the third time. We are under a court ordered mandate to improve our state institutions through increased funding. We are now beginning to see the full cost of our underfunding of these institutions through the recent prison riot.

Our problems don't stop there. Last week our newspapers reported that Montana ranked as second to the lowest in funding children's services. I have heard of new lawsuits being planned to challenge underfunded services -- for medicaid patients in hospitals, for developmentally disabled children, and others.

But we can't just dwell on these problems. We must work to solve them. More importantly, we have answers. They may not be popular solutions, but they are workable. Also, they work for all the people -- not just a select few.

A STARTING POINT: THE BRADLEY/HALLIGAN PLAN

This tax reform plan is offered as a starting point for addressing Montana's long-term fiscal and economic health. Portions may be modified as we refine revenue projections and set priorities. It is important that this proposal be considered in its entirety and not in a piecemeal fashion. Mike and I both recognize that this is a process with room for compromise, disagreement, and eventually agreement on future directions. As with any good fiscal plan, it must begin with the assurance that current expenditures are closely scrutinized to guarantee that taxpayers dollars are being spent properly. Any unnecessary expenditures will be cut. Mike and I are both experienced in this process and promise you we will use that experience in your best interests.

Additionally, we will allow no comprehensive plan to be put in effect without a vote of the people.

THE \$150 MILLION DEFICIT

Our plan, as presented, assumes there will be an annual shortfall of \$75 million or \$150 million for the biennium. There is substantial residential property tax relief as well as business equipment tax reductions to spur existing business expansion and to encourage new business to locate in Montana. With the rebates for low-income individuals and elimination of all filers below \$13,000 Montana adjusted gross income, our tax system would actually become more progressive.

Our proposed property tax relief does not reduce school revenues, to the contrary, it actually makes more money available for equalization. In fact, we propose a major move toward correcting the school funding inequities that are currently being litigated. It's a giant step forward in getting our educational system out of court.

RESIDENTIAL PROPERTY TAX REDUCTION NEEDED

More specifically, we would allow a deduction for the first \$15,000 of market value for all residential property. This would be an average annual tax reduction of \$189 per home statewide. For a home in Butte, Montana, this would be a property tax cut of \$257 per year, and in Lewis and Clark county it would be \$240. This will result in \$50 million of property tax relief per year.

Personal property such as farm equipment, machinery, and broadcasting equipment would be lowered from 9% to 6% saving taxpayers \$24 million each year. Furniture and fixtures would be eliminated entirely. This directs more benefits toward small businesses as well as eliminating an expensive and difficult

administrative function for the Department of Revenue. This relief saves taxpayers approximately \$13 million.

Property tax reductions at the local levels could be reimbursed either through block grants or direct replacement. School foundation schedules could be adjusted to cover their reductions.

INCOME TAX REFORM IS A WORTHY GOAL

Income tax reform would be accomplished by making the state tax a percentage of the federal tax, thereby simplifying the system and reducing bureaucracy. In addition, the first \$13,000 of Montana adjusted gross income would be eliminated from taxation. This would eliminate 228,000 of Montana's 426,000 filers--senior citizens, students, and low-income earners. The savings to taxpayers is \$19 million.

Since the entire tax reform plan is predicated on a 4% sales tax, it is necessary to provide rebates to low-income individuals to take any remaining regressiveness out of the plan. We have allocated \$32 million for rebates, and the amount of these rebates would be adjusted to fit this allocation.

EDUCATIONAL FUNDING REQUIREMENTS ARE ESSENTIAL

Most everyone is aware of the funding problems for the kindergarten through high school programs. Heavy reliance on property tax has put the future of education in the hands of the court. It's time we took control of our own destiny and made those critical decisions ourselves without depending on long drawn out and unsatisfactory court mandates. I am, therefore, proposing that 13.5% of the sales tax revenues be directed toward correcting this on-going problem. This would make \$45.5 million available for that purpose.

Obviously, federally mandated human service requirements demand additional funding. While we must do everything to contain costs, we must recognize our responsibilities to those at risk and less fortunate in our society. Additionally, we must be realistic about funding those programs at an appropriate level. Our libraries, museums and other cultural amenities must also be maintained. Consequently, 10% or \$34 million is available for funding these programs.

Higher education is not only essential to our present well being, but is pivotal to our future success as a people and a state. 7.5% or \$25.5 million is therefore set aside for post-secondary programs and the education of our young people for tomorrow's jobs.

LOCAL GOVERNMENT RELIEF

Local government has long labored under the restrictions of I-105 and will receive 6.5% of the revenue for their operations and to hold down property tax increases. This proposal makes \$22 million available to local governments in the form of block grants.

Current expenditures have outstripped current revenues for some time. As both Rep. Bardonoue and Sen. Mazurek have said, only a fool or a liar would say we don't need additional revenue to cover those costs. Mike and I are neither fools nor liars, and we recognize that at least \$75 million a year will be needed in the next biennium just to stay even. For someone to deny the need for that additional revenue requires a high degree of duplicity or ignorance. That revenue is provided in our plan.

No one likes taxes and we are no exception. It would be great if someone else could pay for the services we need from government. That, however, is a fantasy world that none of us can live in for long. Montana needs a broader based tax system if we are to compete in today's economic mainstream. More jobs and a more diversified economy generating moderate growth are needed to keep our taxes reasonable and our children in Montana.

I therefore propose that in order to provide property tax relief, in order to spur business development, and in order to fund education, a 4% sales tax voted on by the people and that can be raised only with another vote of the people. The following would be exempt from the tax: food, medical services, prescription items, interstate transportation services, motor fuels, advertising services, items already taxed such as hotels and other lodging, wages, dividends and interest, insurance premiums, used cars, commissions (on insurance, real estate, and stocks and bonds), agricultural products, livestock feeding supplies, mineral interests, occasional sales and some others limited by federal statutes. We estimate that this tax would raise each year \$350 million with a net to the state, after administration and vendor allowances, of \$340 million. It would be voted on in June of 1993 and, if passed, it would be effective for fiscal year 1995.

Attached to this statement is a one page summary of the financial highlights of the Bradley-Halligan Tax Reform Plan. We welcome your comments on the plan. Above all, we want to start the public dialogue now. This issue is too vital to be deferred. Once again, no more politics as usual. Let's get started now.

Thank you.

Residential Property Tax Relief

\$15,000 of Market Value Not Taxable

City	School Mills	County Mills	Excluded Mills	City Mills	Total Mills	Before Exemption	After Exemption	Tax Savings
Billings	232.93	74.96	16.37	81.40	372.92	864	648	216
Great Falls	258.85	107.93	18.35	91.96	440.39	1,020	765	255
Missoula	285.59	105.80	13.83	132.43	509.99	1,181	886	295
Bozeman	255.50	78.59	15.17	123.54	442.46	1,025	769	256
Kalispell	259.80	101.56	16.26	114.77	459.87	1,065	799	266
Havre	187.74	74.39	20.05	115.13	357.21	827	620	207
Glendive	288.26	87.34	17.13	131.66	490.13	1,135	851	284
Sidney	192.61	64.78	20.00	112.00	349.39	809	607	202
Shelby	176.62	83.06	18.64	125.43	366.47	849	637	212
Miles City	324.33	99.27	18.60	138.03	543.03	1,258	943	315
Hamilton	200.31	77.91	12.58	103.39	369.03	855	641	214
Lewistown	278.67	80.60	15.00	140.15	484.42	1,122	841	281
Anaconda	278.44	171.98	0.00	72.45	522.87	1,211	908	303
Butte	303.94	155.50	14.08	0.00	445.36	1,031	774	257
Helena	266.92	87.91	16.80	77.36	415.39	962	722	240
Averages	252.70	96.77	15.52	103.98	437.93	1,014	761	254

Residential Property Tax Relief

\$15,000 of Market Value Not Taxable



